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## Keva's interim report 1 January to 31 March 2022

# Investment market uncertainty reflected in Keva's start of year earnings

**Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a return of -2.3% for the first quarter. At the end of March, Keva's investments had a market value of EUR 65.2 billion compared to EUR 60.9 billion a year earlier.**

Keva CEO **Jaakko Kiander** considers the result good.

"Whereas market reactions triggered by the war in Ukraine have so far been moderate, we are heading towards hard times. Rising inflation will weigh on investment returns at least this year. A lot depends on the development of the European energy situation and the reaction of central banks," Kiander says.

Keva's investment operations generated a market value return of -2.3% in the first quarter. The return was 3.5% on equity investments, 2.0% on hedge funds and 0.8% on real estate investments (including real estate funds). Fixed income investments generated -3.3% and listed equities -4.9%.

Listed equities and equity funds accounted for 37.8% of Keva's entire investment portfolio and fixed income investments (including the impact of derivatives) accounted for 32.1%. Of the other asset classes, equity investments accounted for 17.3%, hedge funds for 6.8% and real estate investments for 6.2% of the portfolio.

Keva's long-term return on investments has been very good. The cumulative, capital-weighted real return on investments since funding began in 1988 to the end of March 2022 was 4.2% a year. The average real return, excluding capital weighting, over the same period was 5.3%. The real return, excluding capital weighting, over the past five years has been 4.3% and the ten-year real return 5.6%.

Keva CIO **Ari Huotari** says that the stock markets have ultimately been surprising calm in their reactions during the first three months, given that a major war has broken out in Europe.

"Especially when even before the war, the markets had concerns about the rapid rise in inflation and rising interest rates. Actual increases in interest rates have already hit existing fixed income portfolios," Huotari says.

Huotari says that the direct implications of the war in Ukraine on investments in Russia have been minimal for Keva.

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The figures in this release are unaudited.